SEPTEMBER 1990
A CAHNERS PUBLICATION

Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

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page 33

Controls spark PT sales page 20

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Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS

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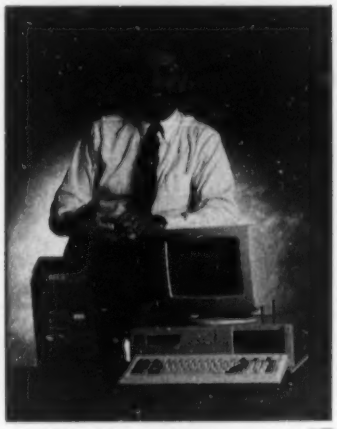

TECO's Clinton Bishop finds motion control sparks PT.

Cover photography by Eugene Mopsik

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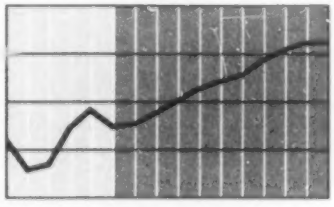

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NEWS

Distributors "NIMBY" on marketing

Marketing? Not in my back yard, say I.D.A distributors. They value the concept, but few use many of the tools.

There's lots of grist for the Industrial Distribution Assn.'s (I.D.A.) market development mill. And much of the material stems from the 1990 *Marketing Survey*, which found a 33% gap between the perceived value of various marketing tools and their actual use by I.D.A. members.

Sam Mitchell, Market Development Committee chairman, explains that of the 36 marketing tools and services surveyed, the average assigned *value* was 80%, while the average *usage* was 47% (see p.10).

> "This survey shows that distributors have a lot of work to do in the area of marketing."—Mitchell

"This shows that distributors have a lot of work to do in the area of marketing," Mitchell says.

The survey, conducted for I.D.A. by Atlanta Direct Marketing, was based on 344 responses, or about 32% of 1,100 questionnaires mailed. Mitchell notes that the high response rate indicates an increasing thirst for marketing knowledge on the part of I.D.A. members.

The survey had a threefold purpose. First, to determine the percentage of I.D.A. firms currently using marketing tools. Second, to find out the percentage of firms which believe these tools and services are valuable. And third, to identify the areas in which I.D.A. might offer seminars or other educational events to help members implement marketing programs.

Survey highlights show that:

- Only 15 of 36 marketing techniques are used by 50% or more of the survey participants.
- A mere 17% of the participants use outside marketing services like name lists or direct mail services.
- Just 29% analyze the costs or results of marketing campaigns.
- About 39% use automated marketing tools like EDI, desktop publishing or toll-free 800 number lines.
- Just 11% calculate customer lifetime value, widely considered a powerful tool for developing marketing budgets and analyzing results.

On the upside, the survey reveals that:

- About 97% of the respondents use prospect leads forwarded by manufacturers.
- At least 88% use catalogs.
- Fully 79% use direct mail fliers and letters.

To be sure, some distributors are launching marketing campaigns. For example, Jim Murrell, committee member and manager of direct marketing at Briggs-Weaver, says that

Florida group sources idle PT stock

MIAMI, FL—Whether the bearing industry is in an upswing, downswing, shortage situation, or at capacity, Bruce Marchetti, president of Bearing Source, believes he has a product that bearing and PT distributors will find hard to ignore.

Convinced that there's a market for a distributor's "dead" inventory, Marchetti is offering distributors access to a central data base filled with bearing and PT products that, in some cases, can be purchased at 25% below factory price.

According to Marchetti, for $95/month, a distributor can both access the database and list his "dead" stock. Those who want only to list product can do so for free. All that's needed is an IBM compatible PC, a modem and a supplied diskette. For distributors without PC's, Marchetti will provide the necessary equipment for an additional one-time fee of $850.

To date, 30 companies have signed on, 15 of them paying customers. Marchetti's goal is to have 200 paying customers on-line by next year. For those distributors accessing the database, Marchetti points out that all sales are negotiated with the distributor who listed the material.

"Recently, the shortages in our industry made it difficult for many distributors to source material," said Marchetti. "But regardless of the situation, the system provides the distributor with tremendous benefits. By using our system, distributors can add to their profitability and move 'dead' inventory at the same time." For information, call (305) 573-0528.

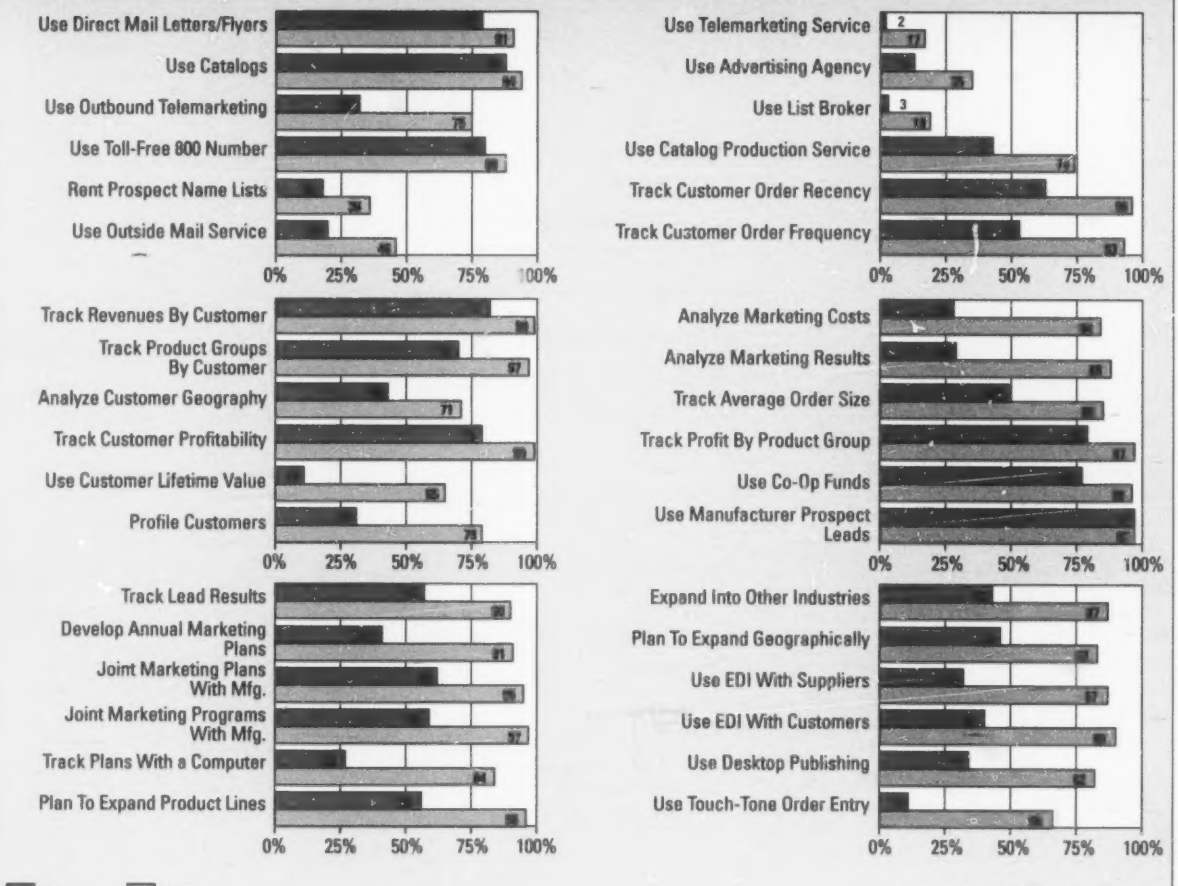
the Texas firm is experimenting with data base marketing and, earlier this year, started a direct mail catalog program.

Doug Smith, also a committee member, reported that his Boring and Smith Div. in Atlanta has also developed a direct mail catalog program, and has had tremendous telemarketing success.

Still, Smith cautions his colleagues to "view these various marketing techniques suspiciously. My recommendation is for the distributor to evaluate each tool and decide whether it applies to his business."

According to Mitchell, the Market Development Committee met in early September to review survey results. He says the committee will present recommendations to the I.D.A. Board later this year. Those interested in receiving a full copy of the survey may call I.D.A. at (404) 325-2776. □

USAGE VS. VALUE: WHAT A DIFFERENCE!!



Source: Industrial Distribution Assn.

The difference is clear: I.D.A.'s survey found a startling gap between the perceived value of 36 marketing services and their actual use on a day-to-day basis by association members.

Safety next on Grainger's list

SKOKIE, IL—By agreeing to acquire two Southeastern safety equipment houses, W.W. Grainger took another step toward becoming a leading national supplier of specialty products.

Robert J. Gariano, vice president of Grainger's Specialty Distribution Group, projects that the two companies, Allied Safety Supply of Georgia, and Jones Safety Supply of Roanoke, will add $31 million to the group's sales.

Gariano says also that safety equipment marks Grainger's fourth specialty product area (see chart). The other three are spare parts (Parts Company of America), general industrial (Vonnegut, Mansco-Lakeshore, and others) and sanitary supplies (JANI-SERV).

During the later half of the '80s, Gariano explains, Grainger management studied 21 specialty product markets. To date, management has decided to focus on spare parts, general industrial, sanitary, and now

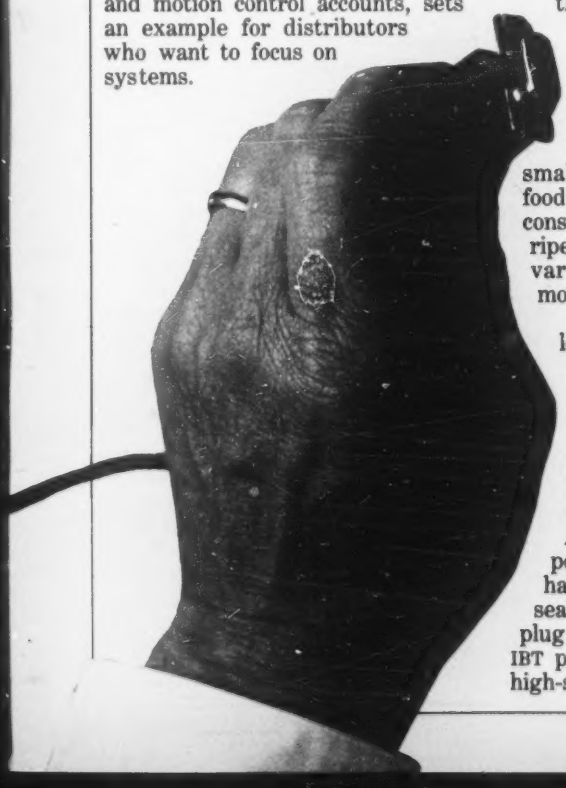
[*continued on pg. 12*]

Plug into PT profits

Quality movements are great! Need proof? Check out a PT house that's into motion control and catch the heady action.

By George M. Fodor, Managing Editor

It's getting to be an exciting business again." So says Bob Weathers as he describes working at Transmission Engineering Co., Inc. (TECO), a power transmission house near Philadelphia. The firm, which targets mechanical, electrical and motion control accounts, sets an example for distributors who want to focus on systems.



"People like the idea of getting turnkey service that systems work provides," Weathers says. "For a time the market was trying to decide where it was going. It wanted to have confidence in the newer electronic products." That confidence is there now, he adds, and TECO people get high on the customers' trust in the firm's ability to tie a system together.

Weathers also reports that demand for systems is "starting to filter down to mid- and small-size companies, especially food companies." He sees food and consumer products as two markets ripe for state-of-the-art AC and DC variable speed drives, stepping motors and servo units.

But that's not all. Over the last three to four years, TECO has added photoelectrics, optics and even light curtains to their offerings. Several hundred miles to the west, in Kansas, Don Mogan of IBT, Inc. says vision systems are catching on in a very big way. A local brewery, which Mogan points to by way of example, was having trouble with filler plugs sealing beer kegs properly. If the plug doesn't seal, the beer goes flat. IBT proposed and sold a system of high-speed cameras that inspect the kegs, as Mogan exclaims, "almost faster than an eye can see."

Servos. Optics. High-speed cameras. These are part and parcel of today's power transmission (PT) market. Mogan puts this sector in perspective when he says that "the quality process across the country has increased the need for precise control."

And it's this demand for precision that has brought digital technology to the PT forefront, and changed what distributors sell and how they sell it.

SALES BY THE BATCH

The best news for PT distributors who sell systems is that there's more—much more—than just products involved. Systems mean services. Design work. Installation. Programming. All types of value added business opportunities.

"Every new servo sold requires some form of motion control and programming," says Darrell Ruthrauft of Cleveland Machine Controls (CMC). And it is front line distributors who sell this programming and thereby add value to hardware and increase total margins.

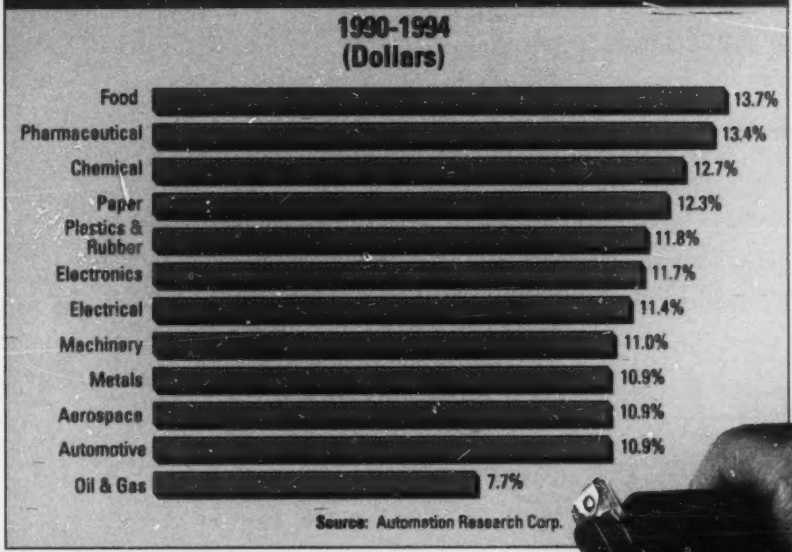
Users are so dependent on outside help that the service portion of batch control projects, for example, is expected to increase by 50% within four years. In 1989, as data supplied by Automation Research Corp. (ARC) show, service accounted for 26.34% of the $760.4 million spent on batch control system projects. By 1994, ARC projects, service will capture 39.85% of the $1.09 billion that food, pharmaceutical and chemical processors will spend on controlling batch production.

That's $399 million in service sales—which can't be treated as commodities—to just one portion of the manufacturing community. In one year. No wonder PT systems houses are excited.

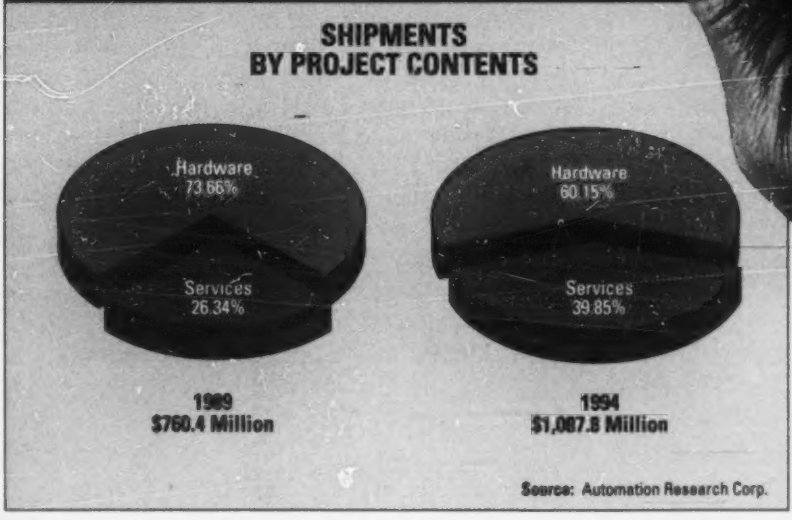
Fred Glow, ARC spokesperson, explains that "users want suppliers to help them throughout the entire automation project cycle." Areas ripe for distributor input, he says, include:

- automation planning;
- cost justification;
- design;
- project implementation;
- installation;
- start-up;
- on-going maintenance.

AVERAGE ANNUAL GROWTH RATE OF PLCs



BATCH CONTROL SYSTEMS



Given the breadth of this list, it's easy to understand why TECO's Weathers talks about winning a customer's trust. Glow says, quite bluntly, that "users buy according to a perceived comfort factor."

STAFFING FOR SYSTEMS

If optics, light curtains and vision systems are finding their way onto PT distributors' line cards, it's only natural that technical talent show up on employment rosters. Alan Fortna of T.B. Wood's Sons Co., says that "large PT distributorships, both independents and chains, are putting together electrical departments; this was unheard of five years ago."

Market position, Fortna adds, is the driving force behind such expansion. "In the past," he says, "many PT guys felt that electrical products were too complicated to handle. Now, with V-belts so competitive, for example, they see electrical as a way to differentiate themselves. Certification gives them something special to take to market."

James Larson, Power Transmissions Corp., a Pirelli Co., finds distributor demand for technical support extending deep into MRO business as well. "What is the cost of one hour's downtime?" is a question which Larson says service-oriented distributors must constantly ask.

But getting answers to that question is no longer enough, he continues. "MRO people want to reduce downtime, and they want also to cut down on labor and maintenance costs. And they want to increase the life of components."

The need for MRO technical support is evident, Larson says, when the customer asks how a new product is better, and how it will save him or her money.

There's that buzz concept. Money. Economic analysis. Knowledgeable sales-people are johnny-on-the-spot with details on how a given PT product requires less lubrication, runs quieter or has a higher horsepower rating. Winners in this business, says Bert Robins of CR Services, quickly add how such design features translate into performance benefits such as longer life, more uptime and lower total cost.

"By being close to the user's problem, and by understanding it," Robins explains, "the distributor is in the best position to lower cost. Even in the replacement market, the traditional distributor must show how it's not the price of a seal or bearing that

Plug into

counts, but the effectiveness of that component."

DESIGN TALENT

In the motion control arena, according to CMC's Ruthrauff, distributors now get much more involved in engineering than they have in the past. William G. Simpson of Simco agrees. "We've put on more engineering, including one electrical and two mechanical specialists," he says.

"We couldn't afford engineers five to seven years ago," Simpson adds, "though the products then did not require that level of support."

Today, from where Simpson sits, having in-house engineering means more than survival, it means growth. "We were kind of coasting along," he says, "then we got into motion control, and our business has really taken off." Having technical talent, he concludes, has "opened a lot of doors for us."

Clinton Bishop, president of TECO, says that his firm has always been engineering oriented and that now, more than ever before, "you have to have competent engineers. When it comes to a drive system, we get involved—not so much in the selling—but in the development."

Take something special to market: Fortna sees electrical certification as one means of differentiation.

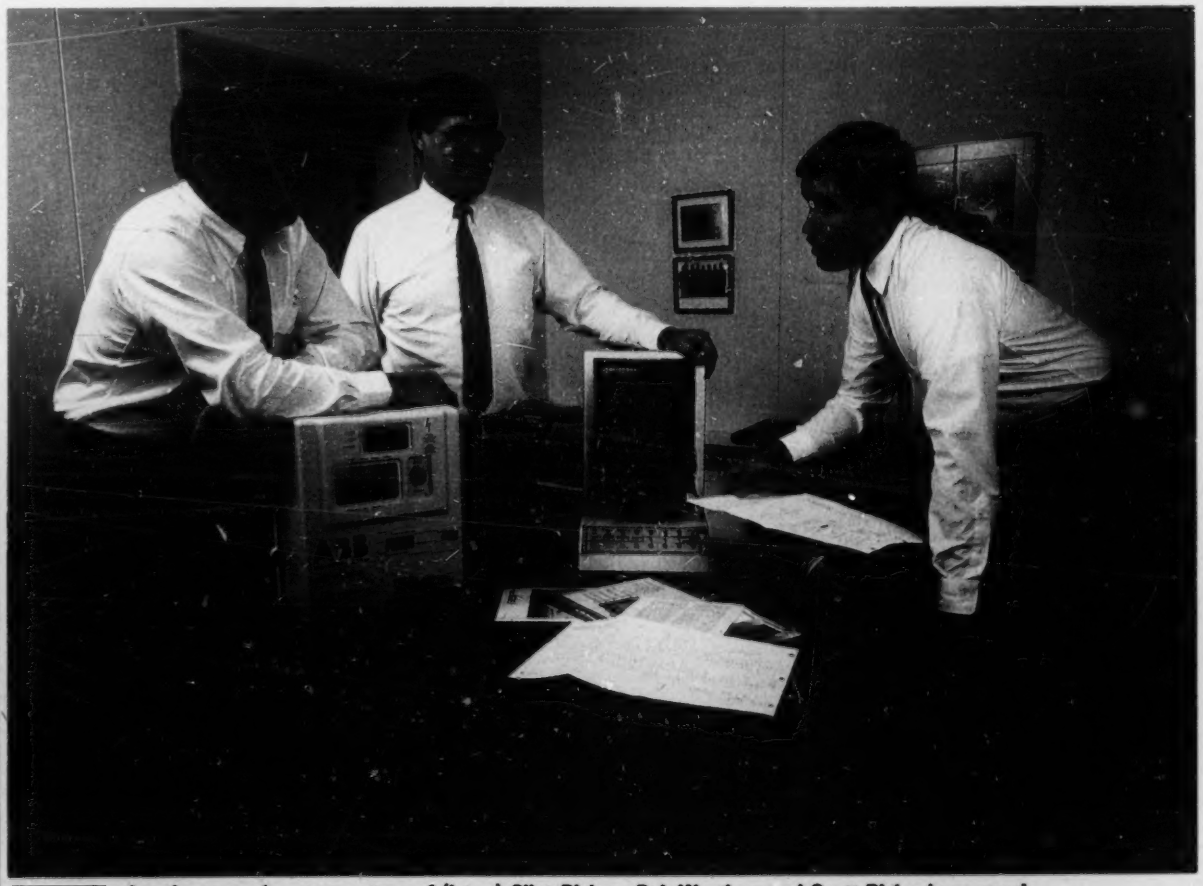
To give the market the level of service it demands, TECO has one mechanical and one electrical engineer who work strictly in-house, and two additional sales engineers.

Having these design skills on-hand is one thing, but using them well is an often complex task. "There's a great deal of free engineering that goes on," Bishop cautions. "So when you quote a job, you can't give the user a shopping list."

Bishop's point suggests that, while the motion control market is heady right now, and customers demand service, managers still have to control staff exuberance so that margin-making services aren't given away.

TARGET A NICHE

A few years back, Mogan reports, IBT was free lancing so much work to a software house that his firm just went ahead and bought it. "Better to own it than to pay rent on it," he says. But the acquisition, now called Sunrise/I.A.D. (for Industrial Automation Div.), has put IBT into robotics and programmable logic controllers.



Constantly educating users is a cornerstone of (l to r) Clint Bishop, Bob Weathers and Scott Bishop's approach to today's PT market.

Plug into

"This portion of our business is growing very rapidly," Mogan says. So much so that, while bearings and other mechanical components still account for the lion's share of IBT's business, the firm is in the process of essentially redefining itself.

Simco's Bill Simpson also sees how moving into automation is an evolutionary process. "As people move into the control aspect of the market, they'll tend to drop off products from the other, more mechanical side of the business," he says.

Such movement, he explains, is often in response to pressures from new supplier/partners who want their distributors to project a state-of-the-art image that wins the confidence of high tech-sensitive buying influences.

Some distributors aren't at all bashful about trumpeting their image. TECO's Weathers says that his firm runs "a very aggressive direct mail campaign. We have 4,000 names on our list, and at least once a month we send out a piece that focuses on one of our more sophisticated products.

"We also plan to launch a telemarketing program in the near future, and we're considering putting on more product specialists." This latter strategy is absolutely necessary, Weathers explains, because the market demands constant education. "We simply have to make users aware of where the products work," he says.

THE BIGGER PICTURE

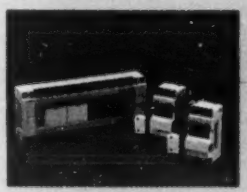
Long-time PT distributors often shake their heads in amazement at the scope and pace of today's motion control activity. Mogan, in Kansas, says, "Sometimes I wonder if we're not trying to build a rocket ship to get over to Lawrence, which is about 30 miles away."

But even mechanical suppliers, such as Gene Addington of Diamond Chain, appreciate what the quality movement has meant to the PT industry. "Ten years ago," Addington says, "there was a push in purchasing to buy price. Now, overall cost is being considered more so than it was in the past.

"There's no way we can compete in the low- and mid-range markets," he adds. "But that's okay. We and the top line distributors are going to market with the same message. We know what it costs to get where we are. We're high. But we're good." 'Nuf said. □

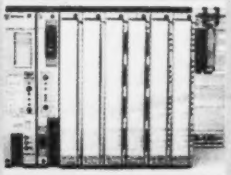
Control options

Use the Reader Service Card to get technical and application details on these products.



Analog I/O modules monitor 0 to 10 VDC or 4 to 20 ma signals for speed, temperature and pressure. Input modules have four channels; output units have two. 5The units, which are compatible with any TSX 17-20 micro programmable controller using PL7-2 programming language, provide 11 bit + sign accuracy and ±2047 point resolution, as well as an 80 ms/channel update time. *Telemecanique, Inc.*
Circle No. 349

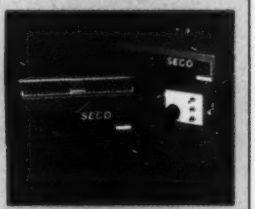
Splash-proof DC motor and control systems are rated for use in conveyors, woodworking equipment, pumps, and machinery found in textile, metalworking and food processing applications. Design features include voltage and current followers, 8-bit digital inputs, on-board optical isolation, and dynamic and reversing braking. IP-44 compliance protects the units against solid particles larger than 1 mm, as well as from water. *Bodine Electric Co.*
Circle No. 351



Mid-size PLC controls up to 2,048 digital and 128 analog I/O points. Eight-, 16-, and 32-point digital input and output modules have communication co-processors that provide networking and serial interface options for connection to host computers or other programmable controllers. Processor features include scan times under 3 msec/K, user memory up to 48K words and floating-point math. *Westinghouse Electric*
Circle No. 354

HVAC variable speed drive uses soft-start circuitry to limit input power for less-than-full-load starting of fans and pumps. Full-spectrum, switching, pulse-width modulation also reduces motor noise. The unit's speed range of 3 to 60 Hz is programmable to higher frequencies. A wall-mounted NEMA 1 enclosure is standard. All programmed settings are held in non-volatile memory. *Reliance Electric*
Circle No. 353

Modular design, including hinged printed circuit boards which permit easy replacement of major components, is a key feature of this ⅛ through 5 hp DC motor controller. Speed and torque control options, as well as dynamic braking and reversing, are standard. All units can be operated by an external speed signal or process control system. Enclosed models meet NEMA standards 3, 4, and 12. *T.B. Wood's Sons Co.*
Circle No. 350



AC inverter functions as a stand-alone adjustable speed drive or interfaces with any PLC or process control computer. Available in chassis and enclosed models, the drive's output is selectable from 2 to 400 Hz. Four models are offered within the ¼ to 2 hp range. Standard adjustments include min/max speed, acceleration, deceleration, and boost. Potentiometers provide accel/decel control of 0.5 to 30 or 30 to 300 sec. *Warner Electric*
Circle No. 352

SPECIAL REPORT

Councils launch sales ammo

Strong distributor advisory councils help target suppliers' market research, R&D and public relations efforts.

By Doug Harper, Contributing Editor

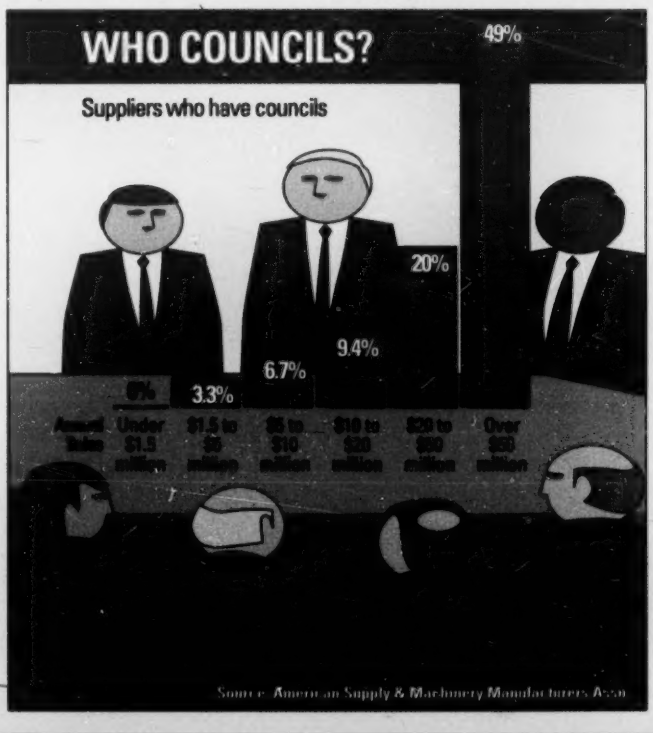
Distributor advisory councils provide manufacturers with ammunition they need to win the battle for customer loyalty. But, as an American Supply & Machinery Manufacturers' Assn. (ASMMA) survey shows, large firms use this ammo more than small firms do (see chart).

Of the 302 firms ASMMA polled, not one with sales under $1.5 million has set up a formal mechanism for getting insights from distributors. On the other hand, 20% of firms with sales from $20 to $50 million have advisory groups, as do 49% of the firms with sales over $50 million.

The survey also showed that criteria for selecting distributors to serve on a council include length of the business relationship, geographical location, sales volume, and the distributor's specialty.

"The nineties have become the decade of the customer rather than management by balance sheet," says Dr. James D. Hlavacek of Wake Forest Univ., "and if you don't work closely with the distributor you can't stay close to your customer." ASMMA members must be getting this message, for 22.4% of the survey's respondents who don't have advisory councils plan to start one in the future.

Hlavacek, who adds marketing and distribution consulting work to his academic duties, notes that properly constituted and organized distributor councils provide guidance and advice on both marketing strategies and new product introductions. He notes also that councils are prime sources of industry intelligence.



One company that has actively promoted distributor councils for the last 23 years is Loctite Corp. According to Kevin R. Boyle, the firm's marketing manager/industrial distribution, seven Distributor Advisory Council members are appointed for three-year overlapping terms, with an optional member at large appointed for a one-year term.

"We try to appoint members who represent a cross-section of our total distribution program," says Boyle. "So we have bearing distributors, specialty distributors and general line distributors." In addition, the distributor mix on Loctite's council is determined by the distributor's location and size.

While the primary work of Loctite's group is accomplished at its annual fall meeting, Boyle says that members are queried periodically concerning topics of interest to the company. For example, Loctite recently polled its council on such subjects as buying groups and systems contracts.

Unlike companies which solicit distributors' opinions on new product development and present councils with previews of prod-

uct prototypes, Loctite views its group's function as being primarily intelligence gathering.

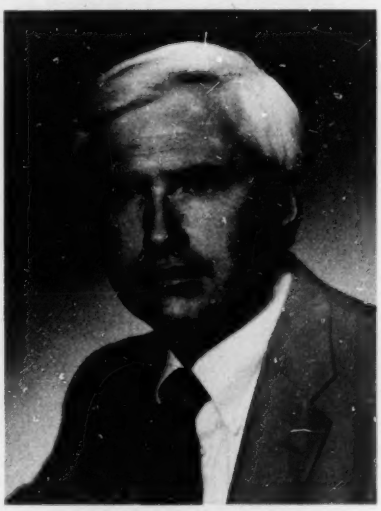
"We use our council to try to understand what is happening in industrial distribution," Boyle explains. "We're trying to find out what the trends are, where the business is going and what is important to the distributors."

Loctite also takes to heart Hlavacek's admonition to widely circulate Advisory Council findings. "We publish our Advisory Council minutes all over the world," says Boyle. "Every Loctite distributor and every Loctite salesman, every customer service and technical support person, as well as anyone else in the firm who would like to read them, is given a copy of the minutes of our council meetings."

In a product-oriented use of market intelligence, Skil Corp. views its distributor council as a prime component in new product development, almost an adjunct to its R&D.

Frank Feraco, the company's senior vice president/sales, says that Skil has a dual purpose in operating its Industrial Distributor Advisory Council. "One is to give our customer a sense that we are interested in his insights, which is important in the overall building of relationships," says Feraco. "But more importantly, we're looking for ideas for product innovation."

Feraco says that distributors both propose ideas for new products and offer suggestions for modifications and variations on ideas presented by



'We use our council to try and understand what is happening in distribution.'—Boyle

Skil. "When it comes to product development, we want distributors to know where we're going and whether they think it's the right way to go," says Feraco. "Some of the products that we're developing today are a direct result of ideas that distributors have given to us over the years."

Council as soundingboard: Justrite's Stevens wants feedback on service, pricing, product quality, and advertising.

As an example he cites Skil's development of a miter saw several years ago, created at the suggestion of Skil's council.

COUNCIL COMPOSITION

Wake Forest's Hlavacek itemizes guidelines that he says apply to the creation and functioning of distributor advisory councils. Chief among these is that supplier management should determine—preferably in writing—why it wants a council. Such a statement should include multiple objectives agreed to by senior management and sales personnel.

Secondly, the council should contain a cross-section of distributors, "not just cronies and buddies," says Hlavacek. The council should represent different markets, different sized customers and different geographic regions.

He notes that effective distributor councils are organized around a written set of by-laws which spell out such details as council management and staff, composition, requirements for membership, and length of service.

Hlavacek also stresses that critical to the success of any council meeting is an agenda that has been meticulously prepared in advance. To be most effective, the agenda will have input in equal measure from both distributors and the manufacturer.

He adds that companies launching a new distributor council should consider using a professional facilitator to run the first few meetings. And he very strongly urges council meetings not be run in connection with other conventions or sales meetings.

Finally, says Hlavacek, there must be timely follow-up to the proposals presented at the meetings, with the results and actions taken being communicated to all of the manufacturer's distributors. "Most manufacturers disseminate too little, too late and to too few," he says.

On the negative side, Hlavacek states categorically that relatively few councils are well run, and many are a waste of time. He also claims that personnel charged with running the Council meetings are frequently less than skilled.

Suppliers, Hlavacek continues, are often schizophrenic about distributor councils. Some companies seem unable to decide whether their purpose is primarily social with business overtones, essentially business-related with a social component, or a combination of the two.

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Councils launch

"Many companies run councils only as hyped-up sales meetings or public relations events," says Hlavacek. "Under those circumstances, the companies ought to call them something else, because they aren't worth the time or the money they require." He adds that although social activity at distributor council meetings is very important, it should not be the main focus.

WHAT'S THE AGENDA

According to ASMMA's survey, larger manufacturers hold distributor advisory meetings at resorts more frequently than do smaller firms. Significantly, 100% of the manufacturers grossing $1.5 to 5 million in the ASMMA study reported that their meetings were "all business" while 66.7% of the manufacturers in the group with more than $50 million in sales reported that their meetings were a "combination of business and recreation."

Larry Postelwait, president of The Crosby Group in Tulsa, says that, with a brief hiatus, his company has had a distributor advisory panel for a decade. Crosby holds two- to three-day meetings twice a year for its panel of eight distributors which the company calls "consultants."

Says Postelwait, "The format begins usually the night before the first day of the meeting when we take the distributors on a tour of our facilities and then to dinner. The next morning we get together and present an agenda of the points we would like to cover. Then the distributors meet by themselves for about an hour and develop their own agenda."

Meeting day mornings are devoted to discussing the topics, while afternoons are reserved for leisure activities, notably golf. Although Crosby has always sought out the presidents of distributorships as its prime panel members, the company has amended this policy.

"One of the things we've started to do is invite the distributor's second in command," says Postelwait. "We've found that often we will correct a problem during our meetings, but that the same problem will surface again because many of the presidents aren't as attuned to the day-to-day operations as their right-hand people."

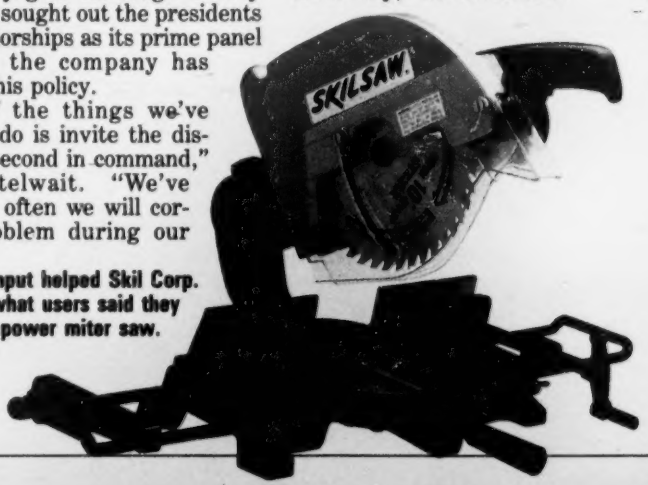
Arthur M. Stevens, president of Justrite Manufacturing Co., says that his firm operated distributor councils for about 15 years but then, like 10% of the companies in ASMMA's survey, let them lapse. Last year the company reincarnated its councils.

"We try to get a geographic spread as well as a blend of types and sizes of distributors," says Stevens. "And because our product line is safety oriented, we sell through a wide variety of distributors including general line and safety specialists."

Stevens says that the major purpose of Justrite's Distributor Marketing Council is serving as a sounding board for everything from new marketing concepts and new products to promotional plans and advertising campaigns. Justrite's Council also participates in an annual survey in which its members are asked to rate the firm on a variety of attributes including customer service, pricing, product quality, and advertising support.

He notes that, for any given issue, the company does not necessarily seek a consensus from its seven-distributor panel. "It all depends on the intensity of the disagreement," says Stevens. "If the Council thinks it's a terrible idea by, say, four to three, we might abandon it."

But he adds that in a high number of cases, there is virtual unanimity among the group's distributors. "I feel that a distributor advisory council is a very sound concept and it provides excellent input that a company probably couldn't obtain any other way," he concludes. □



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